

SCHEDULE COGS41A720COGS (10-15)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

1500010344

Taxable Year Ending

____/____
Mo. Yr.

➤ See instructions.

**LIMITED LIABILITY ENTITY TAX
COST OF GOODS SOLD****DRAFT**
6/18/15

➤ Attach to Form 720, 720S, 725 or 765.

KRS 141.0401(1)

Name of Entity		Federal Identification Number		Kentucky Corporation/LLET Account Number			
		____-____		____-____			
				Limited Liability Entity Tax			
		Federal Form 1125-A Cost of Goods Sold		Column A Kentucky Cost of Goods Sold		Column B Total Cost of Goods Sold	
1. Inventory at beginning of year		1	00	00	00	00	00
2. Purchases.....		2	00	00	00	00	00
3. Cost of labor		3	00	00	00	00	00
4. Additional section 263A costs.....		4	00	00	00	00	00
5. Other costs		5	00	00	00	00	00
6. Total. Add lines 1 through 5		6	00	00	00	00	00
7. Inventory at end of year		7	00	00	00	00	00
8. Cost of goods sold. Subtract line 7 from line 6		8	00	00	00	00	00
9. Detail of purchases on line 2:							
(a)		(a)	00	00	00	00	00
(b)		(b)	00	00	00	00	00
(c)		(c)	00	00	00	00	00
(d)		(d)	00	00	00	00	00
(e)		(e)	00	00	00	00	00
(f)		(f)	00	00	00	00	00
(g)		(g)	00	00	00	00	00
(h)		(h)	00	00	00	00	00
(i)		(i)	00	00	00	00	00
(j)		(j)	00	00	00	00	00
(k)		(k)	00	00	00	00	00
10. Detail of additional section 263A costs on line 4:							
(a)		(a)	00	00	00	00	00
(b)		(b)	00	00	00	00	00
(c)		(c)	00	00	00	00	00
(d)		(d)	00	00	00	00	00
(e)		(e)	00	00	00	00	00
(f)		(f)	00	00	00	00	00
(g)		(g)	00	00	00	00	00
(h)		(h)	00	00	00	00	00
(i)		(i)	00	00	00	00	00
(j)		(j)	00	00	00	00	00
(k)		(k)	00	00	00	00	00
11. Detail of other costs on line 5:							
(a)		(a)	00	00	00	00	00
(b)		(b)	00	00	00	00	00
(c)		(c)	00	00	00	00	00
(d)		(d)	00	00	00	00	00
(e)		(e)	00	00	00	00	00
(f)		(f)	00	00	00	00	00
(g)		(g)	00	00	00	00	00
(h)		(h)	00	00	00	00	00
(i)		(i)	00	00	00	00	00
(j)		(j)	00	00	00	00	00
(k)		(k)	00	00	00	00	00

DRAFT
6/18/15

INSTRUCTIONS — SCHEDULE COGS

If the company is computing its LLET based on gross profits, Schedule COGS, Limited Liability Entity Tax Cost of Goods Sold, must be attached to the applicable tax return.

KRS 141.0401(1)(d)3 provides that for any activity other than manufacturing, producing, reselling, retailing or wholesaling, no costs shall be included in costs of goods sold. Therefore, taxpayers that provide services or sell intangibles are not allowed to compute cost of goods sold for purposes of computing the limited liability entity tax (LLET).

For taxpayers who are engaged in manufacturing, producing, reselling, retailing or wholesaling, KRS 141.0401(1)(d)2 provides that amounts allowable as cost of goods sold must be directly incurred in acquiring or producing a tangible product generating the Kentucky gross receipts. Tangible product means both real and tangible personal property.

Purpose of Schedule—This schedule is used by a corporation or a limited liability pass-through entity to compute its Kentucky cost of goods sold and its total cost of goods sold from all sources for purposes of computing the LLET on gross profits.

Lines 1 through 8—In the Federal Form 1125-A Cost of Goods Sold column, enter the amounts from federal Form 1125-A on Lines 1 through 8.

In Columns A and B, enter on Lines 1 through 8 the cost of goods sold amounts as provided by KRS 141.0401(1) attributable to Kentucky gross receipts and to gross receipts from all sources, respectively.

“Purchases” means only direct materials that are incorporated into the tangible product sold or manufactured.

“Direct labor” means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process.

“Additional section 263A costs” means only direct material costs as provided by section 263A of the Internal Revenue Code.

“Other costs” means only direct materials that are incorporated into the tangible product sold or manufactured.

Line 9—Enter on Lines (a) through (k) the detail of purchases included on Line 2 of each column. The total of the amounts

on Lines (a) through (k) of each column should equal the amount included on Line 2 of each column. If Lines (a) through (k) are not sufficient to include the detail of all purchases, attach a three column schedule listing the detail of the additional purchases.

Line 10—Enter on Lines (a) through (k) the detail of additional section 263A costs included on Line 4 of each column. The total of the amounts on Lines (a) through (k) of each column should equal the amount included on Line 4 of each column. If Lines (a) through (k) are not sufficient to include the detail of all additional section 263A costs, attach a three column schedule listing the detail of the additional section 263A costs.

Line 11—Enter on Lines (a) through (k) the detail of other costs included on Line 5 of each column. The total of the amounts on Lines (a) through (k) of each column should equal the amount included on Line 5 of each column. If Lines (a) through (k) are not sufficient to include the detail of all other costs, attach a three column schedule listing the detail of the additional other costs.

Alternate Method—In completing the Schedule COGS, KRS 141.0401(1)(d) requires separate accounting when computing Kentucky cost of goods sold. However, if separate accounting is not possible for the taxpayer, a supporting statement must be attached to the Schedule COGS explaining why separate accounting cannot be used. In such instances, as an alternative to separate accounting, the taxpayer must then take the following four steps in filling out Schedule COGS:

1. Complete the column entitled Federal Form 1125-A Cost of Goods Sold, in its entirety.
2. Complete Column B, Total Costs of Goods Sold, in its entirety. Please note that the beginning and ending inventories may be different from the amounts reported on Federal Form 1125-A because of costs excluded by KRS 141.0401(1)(d) from the cost of goods sold calculation.
3. Multiply the amount on Column B, Total Cost of Goods Sold, Line 8 by the taxpayer’s Kentucky sales factor (Schedule A, Section I, Line 3).
4. Enter the result of step 3 on Column A, Kentucky Cost of Goods Sold, Line 8.